

**Report on Audit of Termination for
Convenience Proposal
TOSNO-99-D-00006**

August 2001

Reference Number: 2001-1C-135

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 23, 2001

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Report on Audit of Termination for Convenience Proposal
TOSNO-99-D-00006

In response to your request, the Defense Contract Audit Agency (DCAA) examined the contractor's \$273,606 termination for convenience settlement proposal. The purpose of the examination was to determine if the proposed costs are acceptable as a basis to negotiate a fair and reasonable price.

The DCAA examined the \$273,606 proposal and disclosed a total of \$135,176 of questioned costs. The questioned cost elements included costs for consultants, subcontractors, and interest. See page 4 of the DCAA audit report for additional information.

The DCAA considered the contractor's proposal acceptable for negotiation of a fair and reasonable price. However, DCAA qualified its opinion for the non-receipt of technical evaluation that may have an effect on the proposed cost of inventory items delivered to the Government. Additionally, the DCAA noted that the contractor's accounting system is inadequate for determining costs incurred under government contracts.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Maurice S. Moody, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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